

ST. TAMMANY PARISH DEVELOPMENT DISTRICT**Annual Financial Statements****December 31, 2006 and 2005**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

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ST. TAMMANY PARISH DEVELOPMENT DISTRICT

December 31, 2006

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St. Tammany Parish Development District

Management Discussion & Analysis

Management's Discussion and Analysis (MD&A) is a required element of the new reporting model adopted by the Governmental Accounting Standards Board in their Statement No. 34. Its purpose is to provide an overview of the financial activities of the District's office based on currently known facts and decisions of conditions. Please read it in conjunction with the District's financial statements, which begin on page 7.

The basic financial statements include government-wide and government fund statements. The government-wide Statement of Net Assets and Statement of Activities present information for all the activities of the District's office, from an economic resources measurement focus using the accrual basis of accounting. Primarily for our office the difference between these statements and Governmental funds statements is that assets are capitalized and depreciated over their estimated useful life versus expensed in the Governmental funds statements. The Balance Sheet – Governmental Funds details the assets and liabilities of the governmental funds while the Reconciliation of the Government Fund Balance Sheet to the Statement of Net Assets reflects the differences from the amounts reported in the Statement of Net Assets. The Statement of Revenues, Expenditures and Changes in Fund Balance reflects the current year receipt and disbursement of funds and the Reconciliation statement reports the differences in the changes in fund balance to the change in net assets of the Government activities. The differences between the adopted budget and the actual activities are reflected in the Statement of Revenues, Expenditures, and Changes in Fund Balance-General Fund-Budget to Actual.

The District is a subdivision of the State of Louisiana within the Parish of St. Tammany. The accompanying financial statements only present information in the funds maintained by the District.

STATEMENT OF NET ASSETS AND STATEMENT OF ACTIVITIES

The Statement of Net Assets and Statement of Activities report information about the funds maintained by the District as a whole and about its activities in a way which helps answer one of the most important questions asked about the District's finances, "Is the District, as a whole, better off or worse off as a result of the year's activities?" These statements include all assets and liabilities using the accrual basis of accounting used by most private sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when the cash was received or paid.

These two statements report the District's net assets and the changes in them. These net assets, the difference between the assets and the liabilities, is one way to measure the District's financial position of financial health and over time, increases or decreases in net assets are one indicator of whether its financial health is improving or deteriorating.

We record the funds maintained by the District as governmental activities in the Statement of Net Assets and Statement of Activities.

All of the expenses paid from the funds maintained are reported here as governmental activities and consist primarily of insurance, accounting fees, and support payments to the St. Tammany Economic Development Foundation, which is the management arm for the District. A percentage of the state hotel and motel sales tax collections finance the operating activities of the District.

FINANCIAL HIGHLIGHTS

Here are the financial highlights:

The District's assets exceeded its liabilities at the close of fiscal year 2006 and 2005 by \$2,669,361 and \$2,847,940, respectively, (net assets), which represents a 6% and 7% decrease, respectively, over the previous year.

Cash was \$28,424 and \$68,861 at December 31, 2006 compared to \$68,861 at December 31, 2005. This is a decrease of \$40,437 or 59%.

The District's revenue increased \$129,983 and \$36,587 or 49% and 16% respectively for the years ended December 31, 2006 and 2005. The increases were primarily due to an increase in hotel/motel taxes of \$64,000 and \$22,000, respectively, for the years ended December 31, 2006 and 2005, an increase in state capital grant revenue of \$52,000 for the year ended December 31, 2006, and an increase in service fees of \$20,000 for the year ended December 31, 2005.

Capital assets decreased \$93,479 and \$247,610, respectively, as of December 31, 2006 and 2005. The decrease as of December 31, 2006 was due to depreciation expense of \$262,947 partially offset by the addition of capital assets valued at \$115,468. The decrease as of December 31, 2005 was due to depreciation expense.

The District's expenditures for the years ended December 31, 2006 and 2005, excluding depreciation expense, increased \$231,970 and \$24,939 or 93% and 11%, respectively, over the prior fiscal years. The increase in 2006 was primarily due to an increase in economic development support of \$57,596, and an increase in acquisition of equipment and infrastructure of \$154,131. The increase in 2005 was primarily due to an increase in economic development support of \$35,963, and an increase in service fees expense of \$20,000.

At the close of fiscal year 2006 the District's general fund had a deficit balance of \$19,022. The District did not have a fund with a deficit balance as the close of fiscal year 2005.

As a result of subtracting total expenditures from total revenue, the District's net assets decreased by \$232,578 and \$230,722, respectively, for the fiscal years ended December 31, 2006 and 2005.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of an entity's financial position. The District's total net assets changed from \$2,847,940 at year ending December 31, 2005 to \$2,615,361 at year ending December 31, 2006 as a result of increased capital expenses on infrastructure and increased support payments to the St. Tammany Economic Development Foundation.

The District's office at December 31, 2006 and 2005 had \$28,424 and \$68,861, respectively, in cash on hand for operating costs. These deposits are secured from risk by \$100,000 of federal deposit insurance.

Revenue to the District consisted primarily of state hotel and motel sales tax collections and pass through funds for various projects the District was involved in.

Expenditures for the District consisted of insurance, accounting fees, support payments to the St. Tammany Economic Development Foundation, which is the management arm for the District, and pass through funds for various projects the District was involved in.

GENERAL FUND BUDGETARY HIGHLIGHTS

For the fiscal year ended December 31, 2006, the favorable variance in state capital grant revenue was caused by receipt of parish reimbursement for capital outlays. The unfavorable variance in expense was caused largely by increased capital spending on infrastructure.

For the fiscal year ended December 31, 2005, favorable variances in hotel/motel tax revenue were caused by an error in the State Treasurer's calculations for hotel/motel sales tax collections in St. Tammany Parish. The State budgeted the District to receive less than what actual sales tax collections were for 2005. Unfavorable variances in expenses were caused by expenditures not budgeted for in the 2005 budget, mainly service fees and acquisition of equipment and infrastructure. These expenditures have been allowed for in the 2006 budget. The unfavorable variance in economic development support was caused by the error from the State Treasurer's calculations resulting in a larger amount of funds being paid to the St. Tammany Economic Development Foundation than was originally budgeted for in 2005.

CAPITAL ASSETS

Capital assets currently held by the District will revert to a private company at the time the company pays off taxable revenue bonds issued by the District. The capital assets consist of land, land improvements, and equipment paid for with State grants received by the District. The term of the revenue bond is ten years, and for that reason the land improvements and equipment are being depreciated over a period of ten years. No depreciation is taken on the land. Net capital assets at year-end December 31, 2006 and 2005, were \$2,688,383 and \$2,781,862, respectively.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The District considered many factors when setting the operating budget for its general fund for the year ending December 31, 2007. Anticipated revenues will be approximately \$407,950, while anticipated expenditures will be approximately \$409,711. We anticipate a negative profit of \$1,761 due to a legal retainer paid to us in 2005 for future anticipated legal fees in relation to a current project.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview for the funds maintained by the St. Tammany Parish Development District and to show the accountability for the money it receives. If you have any questions or need additional information, contact the District's office at 21454 Koop Drive, Suite 2-E1 Mandeville, LA 70471.

Brenda Reine
Executive Director

SILVA & ASSOCIATES, LLC

Certified Public Accountants

Craig A. Silva, CPA
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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
St. Tammany Parish Development District
Mandeville, Louisiana

We have audited the accompanying basic financial statements of the St. Tammany Parish Development District, as of December 31, 2006 and 2005, and for the years then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Louisiana Governmental Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the St. Tammany Parish Development District as of December 31, 2006 and 2005, and the results of its operations for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 30, 2007 on our considerations of St. Tammany Parish Development District's internal control structure and on its compliance with laws and regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis, and budgetary comparison information, are not a required part of the basic financial statements, but are supplementary information from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of supplementary information. However, we did not audit the information, and express no opinion on it.

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Our audit was made for the purpose of forming an opinion on the basic financial statements of the St. Tammany Parish Development District taken as a whole. The accompanying schedule of compensation paid to board members for the year ended December 31, 2006, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information in that schedule has been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Silva & Associates, LLC

April 30, 2007

Basic Financial Statements

**ST. TAMMANY PARISH DEVELOPMENT DISTRICT
STATEMENTS OF NET ASSETS
DECEMBER 31, 2006 & 2005**

		GOVERNMENTAL ACTIVITIES	
		2006	2005
	ASSETS		
Current Assets			
Cash and cash equivalents	\$	28,424	\$ 68,861
Intergovernmental receivable		137,878	25,135
Total current assets		166,302	93,996
Capital assets			
Land		400,000	400,000
Construction in progress		184,804	15,337
Fixed assets, net		2,103,578	2,366,525
Total capital assets		2,688,382	2,781,862
TOTAL ASSETS		2,854,684	2,875,858
LIABILITIES & NET ASSETS			
Liabilities			
Accrued payables	\$	102,423	\$ -
Intergovernmental payable		54,000	-
Support payable		28,900	27,918
TOTAL LIABILITIES		185,323	27,918
Net assets			
Investment in capital assets		2,688,382	2,781,862
Unrestricted		(19,021)	66,078
TOTAL NET ASSETS	\$	2,669,361	\$ 2,847,940

The accompanying notes are an integral part of these statements.

**ST. TAMMANY PARISH DEVELOPMENT DISTRICT
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2006 & 2005**

	<u>2006</u>	<u>2005</u>
Expenses		
Economic development support	\$ 205,505	\$ 147,909
Legal and professional	16,160	3,052
Service fees	75,000	75,000
Depreciation expense	262,947	262,947
Other	<u>14,044</u>	<u>6,909</u>
Total expenses	573,656	495,817
Program revenues		
Lease income & administrative fees	32,468	14,500
Bond application revenue	5,100	-
Service fee revenue	75,000	75,000
Reimbursement income	475	9,750
State capital grants	<u>67,044</u>	<u>15,337</u>
Total program revenues	180,087	114,587
General revenues		
Hotel/motel tax revenue	<u>214,990</u>	<u>150,508</u>
Change in net assets	(178,579)	(230,722)
Net assets - beginning of year	<u>2,847,940</u>	<u>3,078,662</u>
Net assets - end of year	<u>\$ 2,669,361</u>	<u>\$ 2,847,940</u>

The accompanying notes are an integral part of these statements.

**ST. TAMMANY PARISH DEVELOPMENT DISTRICT
BALANCE SHEETS - GENERAL FUND
DECEMBER 31, 2006 & 2005**

	GENERAL FUND	
	2006	2005
ASSETS		
Cash and cash equivalents	\$ 28,424	\$ 68,861
Intergovernmental receivable	137,878	25,135
Total assets	<u>\$ 166,302</u>	<u>\$ 93,996</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accrued payables	\$ 102,423	\$ -
Intergovernmental payable	54,000	-
Support payable	28,900	27,918
Total liabilities	185,323	27,918
Fund balance		
Unrestricted	(19,021)	66,078
Total fund balance	<u>(19,021)</u>	<u>66,078</u>
Total liabilities and fund balance	<u>\$ 166,302</u>	<u>\$ 93,996</u>

The accompanying notes are an integral part of these statements.

**ST. TAMMANY PARISH DEVELOPMENT DISTRICT
RECONCILIATIONS OF GOVERNMENTAL FUND
BALANCE SHEETS TO THE STATEMENTS OF NET ASSETS
DECEMBER 31, 2006 & 2005**

		<u>2006</u>
Fund balances - total governmental fund		\$ (19,021)
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		
Governmental capital assets	\$ 3,214,276	
Less accumulated depreciation	<u>525,894</u>	<u>2,688,382</u>
Net assets of governmental activities		<u>\$ 2,669,361</u>

		<u>2005</u>
Fund balances - total governmental fund		\$ 66,078
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		
Governmental capital assets	\$ 3,044,809	
Less accumulated depreciation	<u>262,947</u>	<u>2,781,862</u>
Net assets of governmental activities		<u>\$ 2,847,940</u>

The accompanying notes are an integral part of these statements.

**ST. TAMMANY PARISH DEVELOPMENT DISTRICT
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GENERAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2006 & 2005**

	Total Governmental Funds	
	<u>2006</u>	<u>2005</u>
REVENUES		
Hotel/motel tax revenue	\$ 214,990	\$ 150,508
Lease income & administrative fees	32,468	14,500
Bond Application Fee	5,100	-
Service fee revenue	75,000	75,000
Reimbursement income	475	9,750
State capital grants	<u>67,044</u>	<u>15,337</u>
Total revenues	395,077	265,095
EXPENDITURES		
Economic development support	\$ 205,505	\$ 147,909
Legal and professional	16,160	3,052
Service fees	75,000	75,000
Other	14,044	6,909
Acquisition of equipment and infrastructure	<u>169,467</u>	<u>15,337</u>
Total expenditures	<u>480,176</u>	<u>248,207</u>
Excess/(deficiency) of revenues over expenditures	(85,099)	16,888
Fund balances -- beginning	<u>66,078</u>	<u>49,190</u>
Fund balances -- ending	<u><u>\$ (19,021)</u></u>	<u><u>\$ 66,078</u></u>

The accompanying notes are an integral part of these statements.

**ST. TAMMANY PARISH DEVELOPMENT DISTRICT
RECONCILIATIONS OF GOVERNMENTAL FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE TO STATEMENTS OF
ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2006 & 2005**

	<u>2006</u>	<u>2005</u>
Net changes in fund balances - total governmental fund	\$ (85,099)	\$ 16,888
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. The entity is acquiring depreciable land improvements and equipment. This amount is capitalization of land improvement and equipment purchases.	169,467	15,337
Governmental funds do not report depreciation expense as an expenditure.	<u>(262,947)</u>	<u>(262,947)</u>
Change in net assets of governmental activities	<u>\$ (178,579)</u>	<u>\$ (230,722)</u>

The accompanying notes are an integral part of these statements.

Notes to the Financial Statements

ST. TAMMANY PARISH DEVELOPMENT DISTRICT NOTES TO THE FINANCIAL STATEMENTS

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The St. Tammany Parish Development District (the District), was established for the purpose of promoting and encouraging the development of economic and industrial opportunities, stimulating the economy, and utilizing and developing the natural and human resources of St. Tammany Parish. The District was created by the State of Louisiana Revised Statutes 33:130.401 to 33:130.409. It was reestablished as a separate political body under the provisions of Article VI, Section 44 of the Constitution of Louisiana. The District is governed by a Board of Commissioners (the Board), consisting of fifteen voting members, all of whom must be qualified voters and taxpayers within the limits of St. Tammany Parish. The St. Tammany Parish President appoints one member, the Municipal Association in St. Tammany Parish appoints two members, the Greater Slidell Area Chamber of Commerce appoints one member, the St. Tammany West Chamber of Commerce appoints one member, and the St. Tammany Parish Council appoints two members, all to one year terms. The St. Tammany Economic Development Foundation appoints six members to three-year terms. The St. Tammany Parish Chief Administrative Officer and the Executive Director of the St. Tammany Economic Development Foundation are the other two members, and have no term limit. The Board members are not paid a salary and do not receive a per diem.

The Reporting Entity

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. A component unit is a government who is financially accountable to another government or one for which another government can exert influence over its budget and operations. As no entity appoints a majority of its commissioners, the District is considered to be the primary government. The District does not have any component units.

Basic Financial Statements – Government-Wide Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the District. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. There were no activities of the District categorized as business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Basic Financial Statements – Fund Financial Statements

The District uses fund accounting to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are ordered into three major categories: governmental, proprietary, and fiduciary. Funds within each major category are grouped by fund type in the financial statements. Governmental fund types are those through which general governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities are accounted for through governmental funds. The General Fund is the main operating fund of the District. This fund is used to account for all financial resources.

**ST. TAMMANY PARISH DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Cash and Cash Equivalents

The entity's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State law and the District's investment policy allow the entity to invest in collateralized certificates of deposits, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities.

Receivables

All receivables are shown net of an allowance for uncollectibles. Intergovernmental receivables represent amounts due from the State for hotel/motel tax revenue for the period that has not yet been remitted. The District believes that all receivables are collectible.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental columns in the government-wide financial statements. Capital assets are capitalized at historical cost. Donated assets, if any, are recorded as capital assets at their estimated fair market value at the date of donation. Capital assets of the governmental funds are recorded as expenditures at the time they are purchased or constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets currently held by the District will revert to a private company at the time the company pays off taxable revenue bonds issued by the District (See Note G – Conduit Debt Obligations). The capital assets consist of land, land improvements, and equipment paid for with State grants received by the District. The term of the revenue bond is ten years, and for that reason that land improvements and equipment are being depreciated over a period of ten years. No depreciation is taken on the land.

**ST. TAMMANY PARISH DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences

All members of the District serve as board of directors and there are no employees of the District. Accordingly, the District does not contribute to a pension plan and has no formal vacation and sick leave policy.

Use of Estimates in Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budget

In accordance with the Louisiana Local Government Budget Act, the procedures used by the District in establishing the budgetary data reflected in the financial statements include public notices of the proposed budget, public inspections, and public hearings.

The District then legally adopts the budget. Budgeted amounts for the general fund included in the accompanying statements are as originally adopted by the District for the years 2006 and 2005 as of December 15, 2005 and December 14, 2004, respectively.

NOTE C – CASH AND CASH EQUIVALENTS

At December 31, 2006 and 2005, the District had cash and cash equivalents (book balances) totaling \$28,424 and \$68,861, respectively, all of which was demand deposits at a local financial institution.

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At December 31, 2006 and 2005, the District had \$28,424 and \$68,861, respectively, in deposits (collected bank balances). These deposits are secured from risk by \$100,000 of federal deposit insurance.

NOTE D – RECEIVABLES

A receivable of \$80,172 and \$24,135 was recorded at December 31, 2006 and 2005, respectively, for hotel/motel tax revenue receivable from the State of Louisiana. A receivable of \$1,000 at December 31, 2006 and 2005 was recorded for a December 2006 and 2005 lease payment. A receivable of \$56,706 at December 31, 2006, was recorded for expenditures incurred during 2006 which were not reimbursed until 2007, including \$54,000 in capital outlays reimbursed by the State of Louisiana and \$2,706 in legal fees reimbursed by a lessee. No allowance for uncollectible amounts has been recorded as the management of the District believes all receivables will be collected.

**ST. TAMMANY PARISH DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

NOTE E – CAPITAL ASSETS

Capital assets and depreciation activity as of and for the years ended December 31, 2006 for the primary government are as follows:

	January 1, 2006	Increases	Decreases	December 31, 2006
Land	\$ 400,000			\$ 400,000
Land improvements	1,194,731			1,194,731
Equipment and fixtures	1,434,741			1,434,741
Construction in progress	15,337	169,467		184,804
	3,044,809	169,467	-	3,214,276
Less accumulated depreciation for:				
Land improvements	119,473	119,473	-	238,946
Equipment and fixtures	143,474	143,474	-	286,948
Net capital assets	\$ 2,781,862	\$ (93,480)	\$ -	\$ 2,688,382

Capital assets and depreciation activity as of and for the years ended December 31, 2005 for the primary government are as follows:

	January 1, 2005	Increases	Decreases	December 31, 2005
Land	\$ 400,000	\$ -	\$ -	\$ 400,000
Land improvements	1,194,731	-	-	1,194,731
Equipment and fixtures	1,434,741	-	-	1,434,741
Construction in progress	-	15,337	-	15,337
	3,029,472	15,337	-	3,044,809
Less accumulated depreciation for:				
Land improvements	-	119,473	-	119,473
Equipment and fixtures	-	143,474	-	143,474
Net capital assets	\$ 3,029,472	\$ (247,610)	-	\$ 2,781,862

NOTE F – RELATED PARTY TRANSACTIONS

The District utilizes the offices and services of the St. Tammany Economic Development Foundation. The Foundation is a non-profit organization established for the purpose of promoting and encouraging economic development within St. Tammany Parish. Many of the District's board members are also active members of the Foundation. During the years ended December 31, 2006 and 2005, the District made payments to the Foundation of \$205,505 and \$147,909, respectively. At December 31, 2006 and 2005, \$28,900 and \$27,919, respectively, in economic development support was due from the District to the Foundation.

**ST. TAMMANY PARISH DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

NOTE G – CONDUIT DEBT OBLIGATIONS

During the years ended December 31, 2006 and 2005, the District issued taxable revenue bonds to provide funding for the construction of facilities for private companies. The bonds are secured by the property and facilities of the private companies. Neither the District nor the State of Louisiana is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2006 and 2005, the following conduit debt obligations were outstanding:

<u>Series</u>	<u>Issued</u>	<u>Mature</u>	<u>Balance at December 31, 2006</u>	<u>Balance at December 31, 2005</u>
2002	April 2002	July 2022	\$ 10,140,000	\$ 11,060,000
2003	June 2003	August 2023	\$ 25,000,000	\$ 25,000,000
2006A-E	January 2006	January 2016	\$ 25,000,000	\$ -
2006A-B	December 2006	December 2036	\$ 8,000,000	\$ -

NOTE H – LEASES

Pursuant to the taxable revenue bonds described in Note G, the District has entered into lease agreements with private companies.

An agreement with a private company was executed April 1, 2002 and expires, unless terminated earlier, on July 1, 2022, or if all bonds are not yet retired, on July 1, 2024. The monthly lease payment is \$1,000. The company has the option to purchase the property for the sum of the amount needed to retire the remaining bonds, the cost of the District's fees, and \$1,000.

An agreement with a private company, dated June 1, 2003, expires on August 1, 2023 or at such time when all bonds are retired. The lease requires an initial payment of \$15,000 at commencement of the lease and \$2,500 in each of the following years. Also the lease requires a payment of between \$55,000 and \$75,000 as long as the company is exempt from ad valorem taxes. The District is required to pay 80% of this payment to the St. Tammany Parish Fire Protection District No. 3 and 20% to the St. Tammany Parish Recreation District No. 4. The company has the option to purchase the property for the sum of the amount needed to retire the remaining bonds, the District's costs and fees, the amount of above payments accrued to date, and \$1,000. The land was purchased by the company and donated to the District. As the District considers the value of the land to be insignificant, the land has not been recorded as an asset of the District.

An agreement with a private company, dated January 1, 2006, expires on January 25, 2016 or at such time when all bonds are retired. The lease requires an initial payment of \$17,500 at commencement of the lease and \$2,500 on February 1st each of the following years, commencing on February 1, 2007. Also the lease provides for an exemption from ad valorem tax, provided that for each calendar year, the company, together with its affiliates, maintains at least 70 average full time employees in the Parish of St. Tammany, Louisiana with an aggregate salary of \$3,150,000. The company has the option to purchase the property for the sum of the amount needed to retire the remaining bonds.

NOTE I – SUBSEQUENT EVENT

On February 16, 2007, the District issued a \$49,074,000 taxable revenue bond to provide funding for the construction of facilities for a private company. The bonds have a term of 10 years, bear interest at a rate of 6% per annum, and are secured by the property and facilities of the company. Neither the District nor the State of Louisiana is obligated in any manner for repayment of the bonds. Accordingly, the bonds will not be reported as a liability in the District's financial statements.

Other Supplemental Schedules

**ST. TAMMANY PARISH DEVELOPMENT DISTRICT
SCHEDULE OF COMPENSATION PAID TO BOARD MEMBERS
FOR THE YEAR ENDED DECEMBER 31, 2006**

Board Member	Amount
Peter Link, President 404 E. Kirkland St., Covington, LA 70433	\$ -0-
Ted Mason, Vice-President 110 Veterans Blvd. Ste. 200, Metairie 70005	-0-
Dave Anderson, Treasurer 1411 Gause Blvd., Slidell, LA 70458	-0-
Nixon Adams 133 Mable Dr., Mandeville, LA 70447	-0-
Jean Champagne 1580 W Causeway Approach, Ste 1, Mandeville, LA 70471	-0-
Donna O'Daniels 68099 Hwy. 59, Mandeville, LA 70471	-0-
Dennis Herringshaw 162 W Pinewood, Slidell, LA 70458	-0-
Martin "Marty" Mayer 109 Northpark Blvd. # 300 Covington 70433	-0-
Ivan J. Miestchovich, Jr. 42 Riverdale Dr., Covington, LA 70433	-0-
Bill Oiler P.O. Box 628, Covington, LA 70434	-0-
Danny Schaus 832 E. Boston St. Unit 17 Covington, LA 70433	-0-
John Smith 1338 Gause Blvd., Slidell, LA 70458	-0-
Dewey Spies 59232 Pine Bay Lane, Lacombe 70445	-0-
Bill Newton 118 West Hall Ave, Slidell, LA 70460	-0-
Brenda Reine, Executive Director 21454 Koop Dr. Ste. 2E1, Mandeville 70471	-0-

See independent auditors' report.

ST. TAMMANY PARISH DEVELOPMENT DISTRICT
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GENERAL FUND - BUDGET TO ACTUAL (BUDGETARY BASIS)
FOR THE YEARS ENDED DECEMBER 31, 2006 & 2005

	2006				2005			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
REVENUES								
Hotel/motel tax revenue	\$ 116,250	\$ 245,255	\$ 214,990	\$ (30,266)	\$ 116,250	\$ 116,250	\$ 150,508	\$ 34,258
Lease income & administrative fees	14,500	14,500	32,468	17,968	14,500	14,500	14,500	-
Bond Application Fee	-	2,100	5,100	3,000	-	-	-	-
Service fee revenue	-	75,000	75,000	-	-	-	75,000	75,000
Reimbursement income	-	469	475	6	-	-	9,750	9,750
State capital grants	-	13,044	13,044	-	-	-	15,337	15,337
Total revenues	130,750	350,368	341,077	(9,291)	130,750	130,750	265,095	134,345
EXPENDITURES								
Economic development support	\$ 117,760	\$ 245,515	\$ 205,505	\$ 40,010	\$ 121,350	\$ 121,350	\$ 147,909	\$ (26,559)
Legal and professional	6,000	11,111	18,866	(7,755)	3,400	3,400	3,052	348
Service fees	-	75,000	75,000	-	-	-	75,000	(75,000)
Other	6,990	7,459	14,044	(6,585)	6,000	6,000	6,909	(909)
Acquisition of equipment and infrastructure	-	13,044	13,044	-	-	-	15,337	(15,337)
Total expenditures	130,750	352,129	326,459	25,670	130,750	130,750	248,207	(117,457)
Excess/(deficiency) of revenues over expenditures	-	(1,761)	14,618	16,379	-	-	16,888	16,888
Fund balances -- beginning	66,078	66,078	66,078	-	49,190	49,190	49,190	-
Fund balances -- ending	\$ 66,078	\$ 64,317	\$ 80,696	\$ 16,379	\$ 49,190	\$ 49,190	\$ 66,078	\$ 16,888

See independent auditors' report.

Other Reports

SILVA & ASSOCIATES, LLC

Certified Public Accountants

Craig A. Silva, CPA

Brent A. Silva, CPA

Tom A. Gurtner, CPA

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Commissioners
St. Tammany Parish Development District
St. Tammany Parish, Louisiana

We have audited the basic financial statements of the St. Tammany Parish Development District, as of December 31, 2006 and 2005 and for the years then ended, and have issued our report thereon dated April 30, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the St. Tammany Parish Development District's government-wide financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determinations of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of noncompliance with laws and regulations.

Internal Control over Financial Reporting

In planning and performing our audit, we considered St. Tammany Parish Development District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principals such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the organization, and the Louisiana Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.



April 30, 2007
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**ST. TAMMANY PARISH DEVELOPMENT DISTRICT
SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2006**

<u>Ref. No.</u>	<u>Description of Finding</u>	<u>Corrective Action Planned</u>	<u>Name of Contact Person</u>	<u>Anticipated Completion Date</u>
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Section I - Internal Control and Compliance Material to the Financial Statements:

n/a

Section II - Internal Control and Compliance Material to Federal Awards:

n/a

Section III - Management Letter:

n/a

**ST. TAMMANY PARISH DEVELOPMENT DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2006**

<u>Ref. No.</u>	<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of Finding</u>	<u>Corrective Action Taken (Yes, No, Partially)</u>	<u>Planned Corrective Action/Partial Corrective Action Taken</u>
Section I - Internal Control and Compliance Material to the Financial Statements:				
2005-1	2005	Management failed to amend its budget when actual revenues and expenditures exceeded budget amounts by 5%.	Partially	The District has amended its budget during the year for operational changes, but variances still exceed 5% of budgeted amounts.
2005-2	2005	Management failed to budget for all of the revenue and expenditures of the District.	Yes	All revenue and expenditures of the District are including in the original and amended budgets.

Section II - Internal Control and Compliance Material to Federal Awards:

n/a

Section III - Management Letter:

n/a